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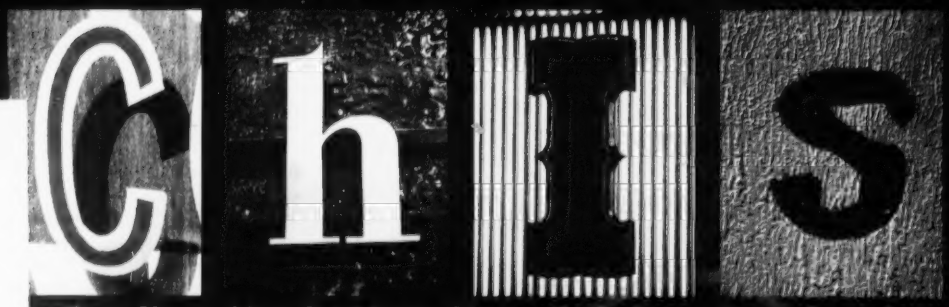
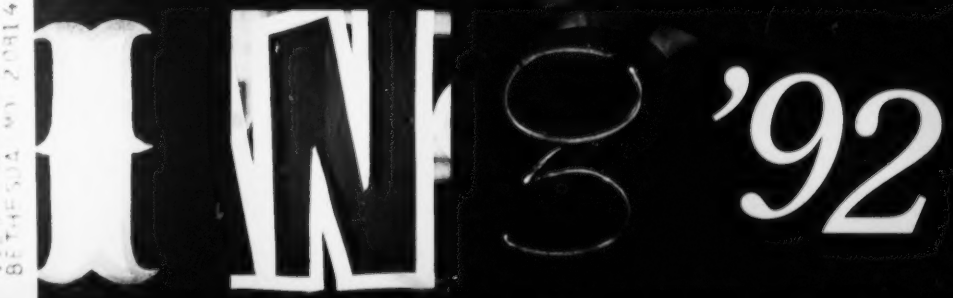
How Safe ■ How Cheap ■ Where to go for startup



ugh ■ How the bottom line shrinks ■ Two foreign



markets worth watching ■ One system at odds 61

BUSINESS BAROMETER

Sweet Baked Goods: Retail Operators Gaining Share

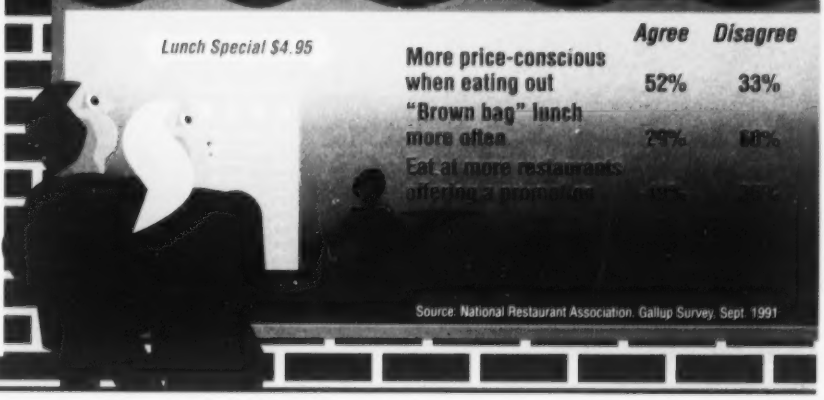
Premium sweet baked goods (dessert cakes, breakfast cakes and sweet rolls, dessert pies, pastries, and cookies) produced by wholesale bakers are losing share to those made by retail bakers, especially supermarket in-store bakeries and, to a lesser extent, freestanding bakeries.

Source: FIND/SVP

* % change retail sales '87–'91

Coping: How The Economy Has Affected Eating Out

Consumers are looking at prices more than before and are eating out where promotions are given in order to save money. But they are drawing the line on some cutbacks. For instance, they haven't yet resorted to "brown bagging" for lunch.



Franchise Survey: Investment Costs and Income Tallied

According to a national Gallup survey, the average gross income of franchise owners, before taxes, is $124,290 while average investment costs are $147,570. The poll was conducted during November and December, 1991.

Source: International Franchise Association

Charts by Peter K. Niceberg

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MARCH 20, 1992 VOL. 91, NO. 5

COVER STORY:
The 27th Annual Franchise Report features some never before tabulated data and hot articles on financing, siting, new territories, and more. Page 61.

COVER STORY

27TH ANNUAL FRANCHISE REPORT. New and improved, this year's report includes the exclusive, never before tabulated Restaurant Investment Summary (page 62). In addition to the standard data on sales and units of the Top 50 Franchise Systems (page 96), this new chart will include information on: franchise fees; royalty and advertising fees; total investment costs; and investment/sales ratio **61**

The new format also includes provocative articles:

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MARKET SEGMENT REPORT COUNTRY/BBQ. Despite the country's troubled economy, business at barbecue restaurants is smokin'. Many hole-in-the-wall shacks that have packed 'em in for decades have grown into regional chains with sophisticated management teams. Barbecue's cousin, country-style restaurants, haven't enjoyed the same fly-in-the-face-of-recession success, but their family atmospheres and home-style menus have also fared well so far this decade **145**

WARES, ETC. SEATING. More than just a function of keeping customers off the floor, chairs and banquettes can be an integral design element. Also, now is the time to think about outdoor seating **172**

Cover photography by Simon Nathan

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FOOD AND BEVERAGE

MENU IDEAS TAKE-OUT. When you think about operators that have experience with food to go, who has been learning longer than the supermarket guys? They're getting better at it, too. Restaurants can learn a few things from supermarkets. *RB* went "behind enemy lines" to learn a few tricks of the retail trade. 103

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INDUSTRY REPORTS AVAILABLE

Reprints of the **1991 RESTAURANT GROWTH INDEX** and **1992 ANNUAL FRANCHISE REPORT** are available for $7 per copy. Direct inquiries to Editor Scott Allmendinger, *RB*, 633 Third Ave., New York, NY 10017.

IN THE NEXT ISSUE

MAJOR FEATURE WENDY'S. This major burger player is well into a turnaround. One of Wendy's major problems was the failure of its breakfast program in the '80s. Now that the company is back on track without it, *RB* analyzes whether it's time for the chain to get back into breakfast.

MARKET SEGMENT REPORT MEXICAN. With expansion still strong in all areas of the market, the newest trend is healthy Mexican cuisine. The informal, affordable, flavorful food is a neat fit for the health-conscious '90s, as operators lighten the fare and menu prices.

TECHNOLOGY REPORT SOUS VIDE. Whatever happened to the promise of sous vide? This article will report on where the technology stands today—its problems and its future.

DRAFTS, CARAFES WINES BY THE GLASS. In this alcohol-conscious age, many patrons' wine choice is often by the glass rather than by the bottle. In response, many operators are upgrading their by-the-glass selections.

TEST KITCHEN:
Take-Out, p. 103.

SANITATION TRAINING TAPES

New!

Get that 'ounce of prevention' with **RB** magazine's professionally produced, easy-to-absorb video tapes. Provides up to 50 minutes of instruction on sanitary practices. Each tape can be used independently or as a set and includes a 'Leader's Guide' to show how to conduct group discussions and written exams.

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Where Have All The Buyers Gone?

LAST YEAR'S MERGER MARKET WENT SOUTH

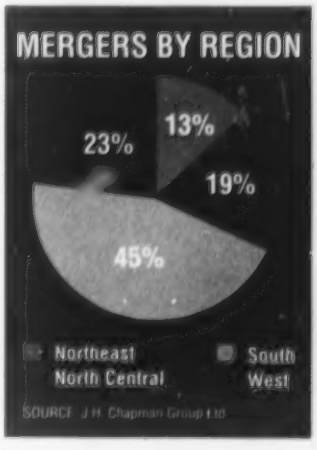
LAST YEAR MARKED A DRAMATIC DECLINE IN THE MERGER AND acquisition game. One study by Merrill Lynch & Co. showed the total number of deals in 1991 at its lowest level since 1963. And the value of those transactions were down 34% from 1990.

The merger market among restaurant companies was similarly off last year: There were only 43 deals done in 1991, down from 53 in 1990, according to the Restaurant Merger and Acquisition Census, compiled by the Chicago-based investment banker J. H. Chapman Group Ltd.

But while the '80s-style leveraged buyouts and megadeals became a dusty memory, initial public stock offerings were on a tear. Seventeen restaurant companies did IPOs last year, up from just one in 1990. In fact, if you count IPOs and management buybacks as mergers, which the Chapman report does, 62 deals went down in 1991. That's an *increase* over 1990's 53 mergers and acquisitions.

Restaurants haven't traditionally been the darlings of Wall Street, but last year institutional investors were looking for small to medium capitalization growth stocks—exactly what restaurants had to offer.

In most cases investors weren't looking at historical performance. Says Chapman partner David Epstein, "most of the restaurants that went public were relatively new concepts," such as Outback Steakhouses and Bertucci's Brick Oven Pizzeria. *continued on page 56*



By Heidi Dawley

FOREIGN BUYERS ALL BUT STOPPED SHOPPING IN THE U.S. LAST YEAR.

Bertucci's Brick Oven Pizzeria, a relatively new concept, was one of the hottest IPOs last year.

The stalled economy, says Epstein, has forced restaurant owners and managers to view "strengthening internal operations as a priority overgrowth through acquisition." A look at who the buyers were in 1991 backs up this theory. The number of operators that bought unrelated concepts fell, following a trend away from diversification that began in 1990, says Epstein.

Franchisors and franchisees continue to buy within their own concept, accounting for about 25% of all M&A activity—excluding public offerings. By buying into their own chains, they can expand without diversifying.

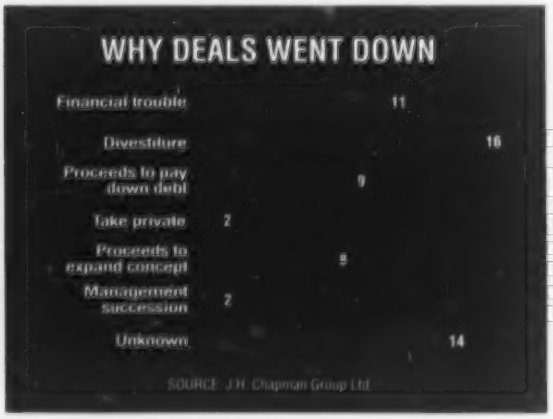
The most common deal was the purchase of a franchisee by a franchisor. The strategy was used particularly often by PepsiCo to build the market share of its Kentucky Fried Chicken and Pizza Hut operations. Epstein cites KFC's purchase of the 182-unit Scott's Food Service as one of the major deals of 1991.

Inter-chain deals turned the midpriced restaurant market into one of the industry's most active areas of mergers and acquisitions.

A quest for additional market share also increased the number of deals made last year by contract feeders. Four transactions were completed, including Gardner Merchant Food Services' acquisition of Ogden Allied Services Corp.'s Business and Industry Feeding Division. Only one such deal was struck during 1990.

"There are economies of scale in that business," says Epstein, "and the market is fairly limited for growth in trying to do conversion of self-operated units."

Although the number of leveraged buyouts fell significantly below the benchmarks of the '80s, the foodservice industry saw a surprising increase in deals from 1990, according to Epstein. Five buyouts were consummated last year, compared with three in the prior 12 months.



CHARTS BY ANDREA ADER

However, the 1991 buyouts were markedly different from the typical deals of the prior decade, Epstein notes. For one thing, the takeover targets were generally much smaller—a Rax Restaurants instead of the multi-concept foodservice behemoths that changed hands during the '80s.

For another, buyers acquired financially troubled companies, wagering that a turnaround would generate the funds needed to pay off the purchase debt. In the '80s buyers pursued asset-based acquisitions with the intention of selling the pieces to pay for the deals.

Foreign buyers all but stopped shopping in the U.S. foodservice market last year, acquiring only one concern. In 1990, there were six announced acquisitions.

Overseas investors showed a similar lack of interest in other U.S. industries, says Epstein. Europeans seemed more intrigued by the opportunities abounding in the former Eastern Communist bloc and the emerging common market. And the Japanese settled into a wait-and-see attitude after making a number of acquisitions in 1990.

A change in philosophy was also evident among domestic restaurant investors, according to Epstein. For one thing, buyers were less interested in conversion candidates. Only three acquired concerns were slated for makeovers into other concepts, compared with a 1990 tally of 11.

The trend underscores operators' interest in fixing businesses instead of expanding them, Epstein says. He uses the same argument to explain the significant drop in the acquisition of new concepts.

However, an interest in expansion fueled the surge in restaurant IPOs. Companies like Outback, KooKooRoo, and Checkers sold themselves to the public to generate cash for the opening of additional units.

Other sellers simply wanted to bail out, according to the survey. One quarter of them sold their operations because of financial difficulties, a sharp increase from 11% who gave that reason in 1990.

But their efforts were largely frustrated by wary shoppers, Epstein says. Buyers were much more discriminating last year than they were in 1990, when savvy operators managed to complete a deal before the economy soured. **RB**

INVESTING IN RESTAURANT FUTURES

So, you want to buy a franchise. Better consider all the financial facts first. To help you do that, here's a comprehensive review of the most important investment information for the nation's biggest franchise restaurant systems.

To begin with, there's the franchise fee, a front-end payment to the franchisor (usually cash): It's a one-time expense paid for each unit you open, and it's designed to reimburse

U.S. Franchised Restaurant Investment Summary

Franchise System	Franchise Fee	Royalty	Advertising Royalty	Total Investment* (000s)	Estimated 1991 Average Unit Volume (000s)	Investment/ Sales Ratio (U.S. Only)
A & W Restaurants	$15,000	4.0%	4.0%	$180-1,000	$270	2.13
Applebee's Neighborhood Grill & Bar	30,000	4.0%	3.0%	400	1,749	0.23
Arby's	25-37,000	3.5%-4%	0.1%	525-850	651	1.10
Baskin-Robbins	0	0.5%	1.5%	120-150	239	0.56
Big Boy	25,000	3.0%	3.0%	450	1,182	0.38
Blimpie	16,500	6.0%	3.0%	70-100	304	0.28
Bonanza	30,000	4.5%	3.0%	125	961	0.13
Burger King	25,000	4.0%	4.0%	1,000	1,061	0.94
Captain D's	12,500	3.0%	5.0%	572	694	0.82
Carl's Jr.	35,000	4.0%	4.0%	1,500	1,144	1.31
Carvel Ice Cream Bakery	25,000	Varies	Varies	85-90	251	0.29
Church's Fried Chicken	25,000	5.0%	4.0%	150	458	0.33
Dairy Queen	30,000	4.0%	3%-5%	385-595	452	1.08
Del Taco/Naugles	N/A	N/A	N/A	N/A	660	N/M
Denny's	35,000	4.0%	2.0%	750	1,248	0.60
Domino's Pizza	1-3,000	5.5%	3.3%	75-150	510	0.22
Dunkin' Donuts	30-40,000	4.9%	5.0%	55-159	559	0.18
El Pollo Loco	N/A	N/A	N/A	N/A	942	N/M
Godfather's Pizza	7.5-15,000	5.0%	0.0%	72-291	458	0.40
Golden Corral	40,000	4.0%	4.0%**	1,700-2,300	1,040	1.92
Ground Round	30,000	3.0%	2.0%	1,300-2,500	1,432	1.15
Haagen-Dazs	N/A	N/A	N/A	N/A	279	N/M
Hardee's	15,000	3.5%-4%	5.0%	700-1,000	978	1.19
International House of Pancakes	50-60,000	4.5%	3.0%	990	796	1.24
Jack in the Box	25,000	4.0%	5.0%	750	1,040	0.72
KFC	20,000	4.0%	4.5%	600-800	676	1.04
Krystal Hamburgers	25,000	4.5%	4.0%	325-380	804	0.39
Little Caesars Pizza	15,000	5.0%	6.5%	120-180	510	0.29
Long John Silver's	20,000	4.0%	5.0%	900-900	891	1.34
Marie Callender's Pie Shops	N/A	N/A	N/A	N/A	1,716	N/M

franchisors for start-up costs like site selection and training.

Next is the royalty fee, a percent of gross sales paid to the franchisor. Advertising royalties are a portion of gross sales typically allocated to corporate or national advertising expenditures. Be aware, however, that the franchisor may also require a percentage of gross for local advertising.

Total investment includes both cash and debt and represents the average total investment required to become a franchisee. The amount will often be exclusive of real estate, which many franchisors—like McDonald's, for example—own.

Investment to sales ratio indicates a franchise's desirability, based on the midpoint of the total investment and the average unit volume. The lower the ratio, the more desirable the concept because of a faster payback period.

Investment information on individual franchise systems are listed alphabetically.

Franchise System	Franchise Fee	Royalty	Advertising Royalty	Total Investment* (000s)	Estimated 1991 Average Unit Volume (000s)	Investment/ Sales Ratio (U.S. Only)
McDonald's	$22,500	3.5%	4.0%	$575	$1,715	0.37
Orange Julius of America	30,000	6.0%	3%-5%	150-200	189	0.98
Perkins Restaurants	30,000	4.0%	4.0%	900-1,400	1,294	0.83
Pizza Hut	up to 15,000	3%-4%	1%**	N/A	631	N/A
Pizza Inn	17,500	4.0%	1.5%	150-300	418	0.54
Ponderosa Steakhouse	25,000	4.0%	4.0%	800-1300	961	1.09
Popeyes Famous Fried Chicken	25,000	5.0%	3.0%	250	744	0.34
Rally's Restaurants	20,000	4.0%	4.0%	350	936	0.37
Rax Restaurants	30,000	4.0%	4.0%	550-800	884	0.99
Round Table Pizza	25,000	4.0%	5.0%	300	579	0.52
Sbarro	35,000	5.0%	1.0%	300-600	810	0.74
Shakey's Pizza Parlors	25,000	4.5%	4.4%	400-800	697	0.90
Sheney's	25,000	3.0%	5.0%	900	1,479	0.61
ShowBiz Pizza Time	25,000	3.8%	3.0%	700-1,000	1,167	0.73
Sizzler Restaurants	30,000	4.5%	4.5%	1,100	1,523	0.72
Sonic Drive-Ins	15,000	1%-4%	7.5%	300-500	464	0.92
Subway Sandwiches & Salads	7,500	8.0%	2.5%	40	270	0.15
Taco Bell	35,000	5%***	4.5%	650	802	0.81
Taco John's	16,500	4.0%	2.0%	75-450	311	0.84
Tastee Freez Ice Cream Stores	10-25,000	4.0%	2.0%	125-450	354	0.81
TCBY Yogurt	20,000	4.0%	3.0%	100-182	267	0.58
Tony Roma's, A Place for Ribs	50,000	4.0%	0.5%	600-900	1,872	0.40
TGI Friday's	50,000	4.0%	2%-4%	2,000-2,500	3,388	0.60
Village Inn Restaurants	25,000	5.0%	0.0%	800-1,000	1,137	0.88
Wendy's Hamburgers	25-30,000	4.0%	4.0%	700-1,300	843	1.15
Western Sizzlin' Steak House	25,000	3.0%	0.5%	1,000-1,100	980	1.07
Whataburger Drive-In Restaurants	150,000	5.0%	4.0%	500-800	734	0.88
Wienerschnitzel/Hamburger Stand	30,000	5.0%	4.0%	500-800	407	1.60
Winchell's Donut Houses	30,000	5.0%	3.0%	150-180	260	0.65

N/A = Not Available N/M = Not Meaningful
*Includes cash and debt. **2% 1st $15K ***4% 1st 2 yrs.
Source: Technomic Inc., Entrepreneur Magazine: The Source Book of Franchise Opportunities.

SALES SUMMARY

Top 50 in Sales	1991 ($Bil.)	1990 ($Bil.)	1990-1991 % Change
U.S. Company-Owned	$20.2	$19.0	6.0%
U.S. Franchisee-Owned	$41.8	$39.8	5.0%
International	$14.5	$13.0	11.4%
Total Systemwide Sales	**$76.4**	**$71.8**	**6.4%**

Source: Technomic Inc.

1990-91 Systemwide Sales

by U.S. Company, U.S. Franchise and International ($000,000)

Rank	Franchise System	1991 Company-Owned	1991 Franchisee-Owned	1991 International	1991 Total Systemwide	1990 Total Systemwide	Change from 1990
1	McDonald's	2,400 *	10,115 *	7,379 *	19,894 *	18,637	6.7%
2	Burger King	955 *	4,345 *	900 *	6,200 *	6,100	1.6%
3	KFC	1,370 *	1,930 *	2,800 **	6,100 **	5,800	5.2%
4	Pizza Hut	2,200 *	2,100 *	1,000	5,300	4,900	8.2%
5	Hardee's	1,270 *	2,285 *	45 *	3,600 *	3,400 *	5.9%
6	Wendy's Hamburgers	890 *	2,030 *	280 *	3,200 *	3,070	4.2%
7	Taco Bell	2,000 *	700 *	65 *	2,765 *	2,450	12.9%
8	Domino's Pizza	530 *	1,935 *	250 *	2,715 *	2,500	8.6%
9	Dairy Queen	2 *	2,103 *	265 *	2,370 *	2,280 *	3.9%
10	Little Caesars Pizza	400 *	1,240 *	60 *	1,700 **	1,452	17.1%
11	Arby's	166 *	1,372 *	160 *	1,698 *	1,503 *	13.0%
12	Denny's	1,220 *	315 *	72 *	1,607 *	1,550	3.7%
13	Subway Sandwiches & Salads	0	1,418	82	1,500	1,170 *	28.2%
14	Big Boy	230 *	830 *	60 *	1,120 *	1,100	1.8%
15	Dunkin' Donuts	2	915	181	1,098	947	15.9%
16	Shoney's	464 *	640 *	0	1,104 *	991	11.4%
17	Jack in the Box	688 *	330 *	1 *	1,019 *	944	7.9%
18	Sizzler Restaurants	331 *	515 *	154 *	1,000 *	1,014	-1.3%
19	Long John Silver's	545 *	250 *	5 *	800 **	781	2.4%
20	Ponderosa Steakhouse	359 *	389 *	36 *	785 *	686 *	14.4%
21	Baskin-Robbins	30 *	480 *	230 *	740 *	714 *	3.6%
22	Carl's Jr.	505	124	7	636	578	8.1%
23	TGI Friday's	388	116	40	544	505	7.9%
24	Popeyes Famous Fried Chicken	86	449	6	541	546 *	-0.9%
25	Sonic Drive-Ins	40 *	465 *	0	505 *	455	11.1%
26	Church's Fried Chicken	280	135	89	504	518 *	-2.7%
27	Perkins Restaurants	157	341	5	503	476 **	5.7%
28	Bonanza	2 *	410 *	65 *	477 *	5 **	-7.2%
29	Golden Corral	413	36	0	449	440	2.0%
30	Western Sizzlin' Steak House	5 *	425 *	5 *	435 *	451	-3.5%
31	Captain D's	245 *	188 *	0	433 *	414	4.7%
32	International House of Pancakes	40	347	28	415	384	8.1%
33	TCBY Yogurt	33 *	290 *	17 *	340 *	347 *	-2.1%
34	Whataburger Drive-In Restaurants	205 *	125 *	0	330 *	319	3.4%
35	Round Table Pizza	1 *	311 *	8 *	320	319	0.3%
36	ShowBiz Pizza Time	197 *	107 *	9 *	313 *	291	7.6%
37	Sbarro	200 *	70 *	25 *	295 *	271	8.9%
38	Applebee's Neighborhood Grill & Bar	36 *	257 *	0	293 *	228 **	28.2%
39	Ground Round	213 *	77 *	0	290 *	283	2.4%
40	Marie Callender's Pie Shops	150 *	121 *	0	271 *	265	2.3%
41	Tony Roma's, A Place for Ribs	27 *	190 *	45 *	262	238	10.1%
42	Village Inn Restaurants	139	106	0	245	228	7.9%
43	Godfather's Pizza	75 *	163 *	0	238 *	229	3.8%
44	Rally's Restaurants	100 *	135 *	0	235 *	203	15.7%
45	Del Taco/Naugles	170 *	48 *	0	218 *	215 *	1.4%
46	A & W Restaurants	10	159	47	216	197 *	9.4%
47	Krystal Hamburgers	204	5	0	209	199	5.0%
48	Rax Restaurants	69	139	0	208	301 *	-31.3%
49	El Pollo Loco	98 *	80 *	16 *	194 *	210 *	-7.6%
50	Shakey's Pizza Parlors	13 *	120 *	55 *	188 *	180	4.4%

* Restaurant Business/Technomic Estimate.

** Company Estimate. Note: All data in millions of dollars for calendar year.

UNIT SUMMARY

Top 50 in Units	1991	1990	1990-1991 % Change
U.S. Company-Owned	22,695	22,283	1.8%
U.S. Franchisee-Owned	63,299	60,220	5.1%
International	14,460	12,863	12.4%
Total Systemwide Units	**100,454**	**95,366**	**5.3%**

Source: Technomic Inc.

1990-91 Systemwide Units

by U.S. Company, U.S. Franchise and International

Rank	Franchise System	1991 Company-Owned	1991 Franchisee-Owned	1991 International	1991 Total Systemwide	1990 Total Systemwide	Change from 1990
1	McDonald's	1,427 *	7,376 *	3,627 *	12,430 *	11,756	5.7%
2	Pizza Hut	3,550	3,450	1,500	8,500	8,040	5.7%
3	KFC	1,870	3,186	3,424	8,480	8,187	3.6%
4	Burger King	950	4,748 *	1,000 *	6,698 *	6,298	6.4%
5	Subway Sandwiches & Salads	1	5,850	330	6,181	5,014	23.3%
6	Domino's Pizza	1,100	4,020	480	5,600	5,376	4.2%
7	Dairy Queen	5 *	4,610 *	590 *	5,205 *	5,209	-0.1%
8	Hardee's	1,405 *	2,775 *	50 *	4,230 *	4,067 *	4.0%
9	Little Caesars Pizza	857 **	2,837 **	129 **	3,823 **	3,276	16.7%
10	Wendy's Hamburgers	1,079	2,335	327	3,741	3,727	0.4%
11	Taco Bell	1,960 *	1,460 *	80	3,500 *	3,273	6.9%
12	Baskin-Robbins	135 *	2,140 *	1,040 *	3,315 *	3,318	-0.1%
13	Dunkin' Donuts	2	2,146	607	2,755	2,042	34.9%
14	Arby's	245 *	2,162 *	242 *	2,649 *	2,529 *	4.7%
15	TCBY Yogurt	170 *	1,558 *	72 *	1,800 *	1,847	-2.5%
16	Long John Silver's	990	470	10	1,470	1,446	1.0%
17	Denny's	994 *	319 *	64 *	1,377 *	1,358	1.4%
18	Sonic Drive-Ins	81	1,061	0	1,142 *	1,043	9.5%
19	Church's Fried Chicken	671	350	115	1,136	1,164	-2.4%
20	Jack in the Box	684	404	1	1,089	1,040	4.7%
21	Big Boy	200 *	720 *	60 *	980 *	970	1.0%
22	Popeyes Famous Fried Chicken	129	665	13	807	785	2.8%
23	Ponderosa Steakhouse	396	379	32	807	759 *	6.3%
24	Shoney's	307	481	0	788	734	7.4%
25	A & W Restaurants	12	628	73	713	763 *	-6.6%
26	Captain D's	358	281	0	639	633	0.9%
27	Carl's Jr.	410	190	11	611	588	3.9%
28	Carvel Ice Cream Bakery	11	571	9	591	645	-8.4%
29	Round Table Pizza	1	570	10	581	567	2.5%
30	Orange Julius of America	0 *	432 *	148 *	580 *	614	-5.5%
31	Winchell's Donut Houses	500 *	60 *	0 *	560 *	580	-3.4%
32	Sbarro	390 *	100 *	40 *	530	460	15.2%
33	Godfather's Pizza	161	350	0	511	512	-0.2%
34	International House of Pancakes	55	423	22	500	490	2.0%
35	Blimpie	0	474	0	474	398	19.1%
36	Whataburger Drive-In Restaurants	285 *	175 *	0	460 *	452	1.8%
37	Bonanza	2 *	380 *	60 *	442 *	484	-8.7%
38	Western Sizzlin' Steak House	5 *	435 *	2 *	442 *	447	-1.1%
39	Golden Corral	380	61	0	441	459	-3.9%
40	Taco John's	9	432	0	441	445	-0.9%
41	Perkins Restaurants	117	285	5	407	405	0.5%
42	Pizza Inn	5	370 *	0	375 *	420	-10.7%
43	Shakey's Pizza Parlors	20	187	180 *	387 *	376	-2.4%
44	Tastee Freez Ice Cream Stores	0	345 *	13 *	358 *	362	-1.1%
45	Del Taco/Naugles	261 *	81 *	0	342 *	340	0.6%
46	Wienerschnitzel/Hamburger Stand	99	238	0	337	339	-0.6%
47	Rally's Restaurants	116	217	0	333	297	12.1%
48	Haagen-Dazs	2	240	85 *	327 *	377 *	-13.3%
49	Rax Restaurants	127	187	0	314	388	-19.1%
50	ShowBiz Pizza Time	161	105	9	275	267	3.0%

* Restaurant Business/Technomic Estimate.

** Company Estimate. Note: All data for calendar year.

COUNTRY & BARBECUE

MARKET SEGMENT REPORT

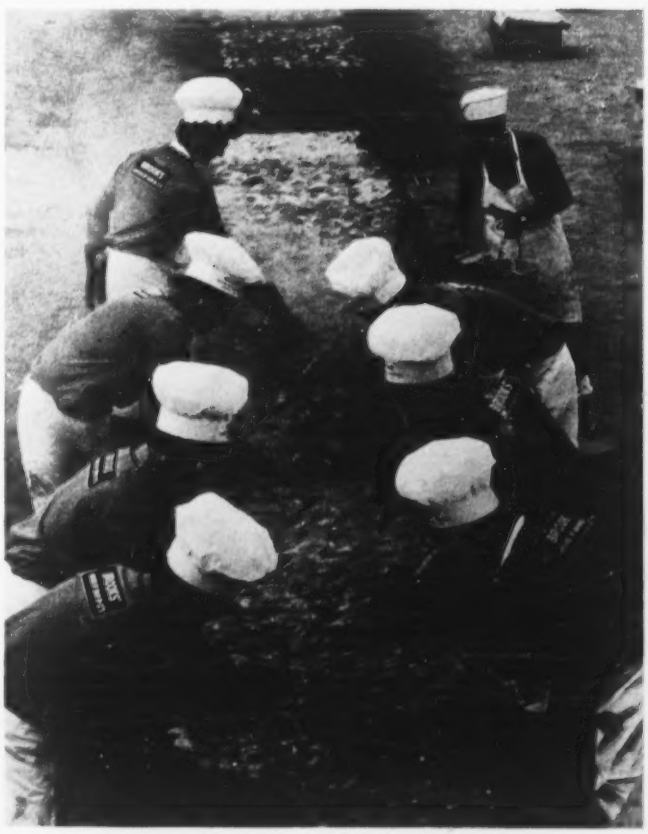
Start-up barbecue chains are growing like gangbusters.

By Rona Feldman

In his new book *The Pursuit of Pleasure*, anthropologist Lionel Tiger implies that when Americans pack their kids in the Honda wagon and head out to the local barbecue joint for brisket on a bun, they're lured by more than friendly service and affordable prices. The "smoky tastes" of barbecued meats "recall Sunday dinner at the hearth of the first family cave," Tiger writes, noting that we get a "primordial" kick out of the taste of smoke, "always surrounded by the magnetic aroma of charring fat."

Operators of barbecue restaurants talk about value instead of cavemen when explaining the success of their businesses. But their sales and traffic reports support Tiger's assertion that flame-cooked meals remain popular. Despite the country's troubled economy, business at barbecue restaurants is smokin'.

Many hole-in-the-wall shacks that have packed 'em in for decades with nary a frill have grown recently into regional chains with sophisticated management teams. Start-up chains are growing like gangbusters with '80s-style speed. Only the nation's largest chains have succumbed to this decade's financially choking reins, but even the flat sales these chains report aren't necessarily bad news in 1992.



In Oneonta, N.Y., Brooks House of Bar-B-Q serves 1,800 people a day on summer weekends. Chickens are roasted over charcoal in an open pit.

Barbecue's cousin, country-style restaurants, haven't enjoyed the same fly-in-the-face-of-recession success, but their family atmospheres and home-style menus have also fared well so far this decade. Chains continue to grow at a steady pace, methodically opening new units and increasing per-store sales as they have for a decade. Independents, too, find that families are still willing to pay for a taste of mama's cooking—as long as mama doesn't have to put down her briefcase and heat up the skillet herself.

SURE BET. The comfortable atmosphere and heaping plates of sure-bet foods common at barbecue and country cooking restau-

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rants attract belt-tightening customers from both sides of the track, giving these concepts a large potential base. "I look in my dining rooms and I see doctors, lawyers, and truck drivers," says Bill Moon, vice president of franchise development for Woody's BarBQ of Jacksonville, Fla.

Business has increased for other reasons, too. Some operators say they profit from diners who have traded down. "People are moving out of white linen restaurants and into casual restaurants like Olive Garden, Chili's, Bennigan's, and barbecue places," observes Bob Friedman, president of Arlington, Va.-based Red Hot & Blue.

And when Americans who have never gone upscale do decide to splurge today, some observe, it's on the small frilis rather than the big ones. "My experience has been that during recessionary periods, people stop buying TVs, cars, and new homes," says Bob Peterson, president of Gridley's Fine Bar-B-Q, Memphis, Tenn. "They use whatever extra money they do have to take the family out to dinner."

Both barbecue and country restaurants are naturals for families. They're usually casual, sporting rustic or homey decors, with dinners often priced under $10, frequently under $12. "We're good for families with two wage earners," says Angelo Pitillo, president of Dallas-based Black-Eyed Pea. "We can easily accommodate kids, parents don't feel uncomfortable if their children get noisy, and dinners cost under $7."

RED MEAT HEAVEN. Whether diners arrive with families or alone, in dilapidated pickup trucks or shiny new Cadillacs, however, most bring with them a yen for smoked pork or beef, whichever is the region's specialty. Chicken sales exceed those for red meats only in some Northeastern places, where it has always been popular, and in health-conscious California.

"Ninety-five percent of my business is pork," reports Barry Pelts, vice president of Corky's, Memphis, Tenn. "When people have got a taste for something, it's hard to stop eating it." What about cholesterol concerns? "I don't think ribs are going away at all," predicts Tim Ruys, executive vice president of Dallas-based Sonny Bryan's Smokehouse. "People save their splurge for the dining-out experience."

Many operators are quick to point out that today's beef and pork are leaner products, and that barbecuing adds no extra fat. Mike Jolly, president of Luther's Bar-B-Q, Houston, Texas, went so far as to have nutritionists compare the fat content of the chain's brisket with that of chicken. Brisket, he reports, had fewer grams of fat per ounce.

That's not to say that poultry and fish don't have their place. At least one of these has been added to the menu of every restaurant interviewed; however, operators say customers buy no more or less of it today than they did six months after the introductions.

Sonny's Real Pit Bar-B-Q has an average check of only $7.

Sonny Bryan's Smokehouse, a shack gone savvy, exemplifies many barbecue industry trends. After 82 years of business in one 26-seat location, this company's business has quintupled. An investor group bought the restaurant from its namesake three years ago, and within the last half-year, opened four units. The original Sonny Bryan's is so popular that Texans hurry over to the Inwood section of Dallas by 1 p.m., when the day's 15 lb. of barbecued brisket usually run out. Customers eat their $6 hickory-smoked lunches at old school desks.

Last April, the new owners opened a 260-seat Sonny Bryan's in Dallas' West End restaurant hub, serving an expanded menu—including turkey—in an air-conditioned, 5,400-sq.-ft. space. Three more table-service units opened thereafter, including a lunch counter in a

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downtown office building and a small shop inside a Macy's department store.

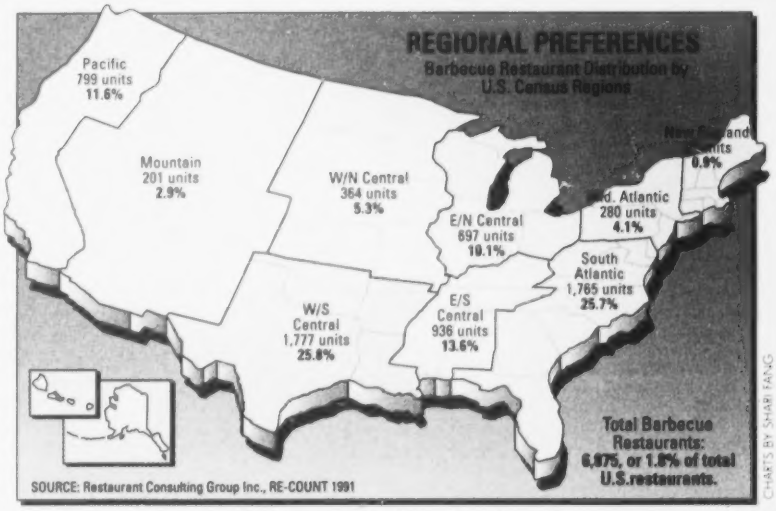
Simultaneously, Sonny Bryan's began offering catering and mail order. American Airlines has since hired the chain to cater events on an eight-city international tour. The mail-order arm filled 1,000 smoked turkey and smoked ham orders last year and early projections indicate that five times as many orders might arrive this year.

The new ventures have proved profitable. According to Ruys, the West End restaurant alone, where dinner checks average $11.50, should gross $1.4 million this year. Catering and mail order together will bring in another $1.5 million. Systemwide sales will reach $4.5 million, he predicts.

NATURAL CHANGES. Local investors also changed the nature of Gridley's Fine Bar-B-Q, a favorite since 1975. According to president Peterson, who took over the chain with a group of local investors last May, Gridley's had shrunk to two company-owned and one franchised restaurant; at founder Clyde Gridley's death in 1984, there had been four company and several franchised restaurants.

The group set to work remodeling the interiors with warm cinnamon-colored wallpaper, whitewashed cedar, and brick, as well as murals by a local artist. They also upgraded meat and shrimp purchases, and added drive-thru windows to both company-owned, 10,000-sq.-ft. restaurants.

Checks average $11 per person, with a typical ribs-for-two dinner priced at $15.95. Sales for Gridley's pork shoulder and rib dinners, hickory-smoked overnight in an open pit, have risen to $2.5 million for the two company-owned restaurants. Looking to raise that figure further, management has four goals: Boost drive-thru business from 20% of sales to 50%; better market menu items that don't sell well; increase the number of private parties hosted in its 200-seat dining rooms; and, open a third Memphis unit in May.



Corky's, also of Memphis, went seven years as a solo restaurant until August 1991, when the first of what are scheduled to be many franchised units opened in Jackson, Tenn. Last year, Corky's sold master franchise rights for 48 states to one investor group, and plans to sign over Louisiana and Arkansas to another group shortly.

The owners might also open a second store of their own in Memphis. Customers at the original unit wait up to two hours for a taste of Corky's ribs and pork shoulder, which the staff cooks for 12 hours in an electric rotisserie oven containing hickory logs. Diners eat in an 89-seat, '50s-style room.

Fully half of the restaurant's estimated $5.4 million annual sales come through the drive-thru window; other revenue sources include catering, mail order, and bulk orders to nearby corporations. Rib dinners start at $8.95, with a slab of ribs for two priced at $15.95, and a pork dinner at $5.95. Checks average $7 at lunch, $10 at dinner.

Small chains, too, have been expanding aggressively this decade. Red Hot & Blue has grown from one restaurant in December 1988 to eight today, with seven scheduled to open by year's end. Five to 10 new stores a year are on the drawing board after that.

Red Hot & Blue restaurants serve Memphis-style pork ribs and pork shoulder, as well as barbecued chicken and beef brisket, in dining rooms covered with blues memorabilia. Blues music taped from private collections is played all the time. Drive-thru and catered meals are also available.

Red Hot & Blue's hickory-holding metal smokers are parked in office and shopping centers along the East Coast from Virginia down to Florida. All stores except the original are franchised. With lunch checks averaging $7 and dinner checks nearing $13, Red Hot & Blue is generating annual sales of $1.5 million to $2 million per store, for a projected systemwide sales figure of $10 million this year.

After a slowdown during the Gulf War, Damon's The Place For Ribs out of Hilton Head, S.C., has gotten cooking on new units, and now has two company and two franchised stores under construction. The 46-unit chain, which specializes in chargrilled ribs slathered with its own sauce and served in a casual dining atmosphere, will grow with two relatively new concepts. Damon's

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Country-style chains are growing at a steady pace.

COUNTRY & BARBECUE

MARKET SEGMENT REPORT

Number-two chain Bobby Rubino's U.S.A. specializes in barbecued ribs served in a casual atmosphere.

280-seat Clubhouse concept features two dining rooms; one is standard, and the other is sports-oriented. Damon's Clubhouse averages $3 million in sales, far more than the $1.8 million generated in the traditional, 180-seat units.

Cafe Damon's, weighing in with only 110 seats, has the same wine, green, and cream decor and Tiffany-style lamps as its older siblings, but costs less to build, according to chairman Irv Rossman. The first Cafe Damon's opened on St. Simons Island, Ga., last summer and will gross approximately $1.4 million its first year, Rossman predicts.

With a rib dinner ringing in at $11.95 for a $13.95 average check, Damon's restaurants, located in 14 states east of the Mississippi (with one unit in England), will pull in sales of $100 million this year, Rossman says.

In New York City, $2.95 quarter-chicken dinners, cooked on a rotisserie and sauced by diners at the table, is big business for Dallas BBQ. The company, owned by Herb Wetson and his son Greg, has grown to four stores in 11 years and is seeking locations outside Manhattan. Wetson acknowledges he turns tables several times a day in each of the 200- to 350-seat restaurants. "I'm a high-volume feeder," he notes. "At these cheap prices we need volume to exist."

Twelve-year-old Woody's BarBQ didn't start franchising until 1989, but growth has picked up considerably since. The chain's 26th unit opened in February, and up to 15 more are scheduled to debut by year's end. Woody's customers seat themselves at picnic tables to indulge in wood-smoked pork, chicken, beef, turkey, ribs, baby back ribs, and more, doling out a competitive $4.70 for lunch, $5.50 for dinner.

All-you-can-eat specials help keep traffic up on week nights. Most Woody's are located in strip centers; they average $900,000 in annual sales. Systemwide sales are $20 million a year.

Competitor Sonny's Real Pit Bar-B-Q out of Orlando, Fla., changed hands a year ago, and per-store sales have been up every month since, reports president Bob Yarmuth, formerly a franchisee. Few stores have raised prices, he notes, and prices were cut 6% in four units. Like Woody's, 80-unit Sonny's features a large menu of smoked meats in a rustic, casual atmosphere. Checks average $7, and the average store grosses $1 million annually. "We're a family-style place with fast-food prices," Yarmuth says. Systemwide sales approach $84 million annually.

Yarmuth's first priority is to "shore up foundations." He is in the process of revising operations manuals, devising marketing programs, and developing leadership. "Along the way, we will develop 15 to 20 stores with existing franchisees," he says, but no more than two new franchises a year will be added to the system.

Luther's Bar-B-Q is a regional chain. Opening its 20th unit this month and going strong, Luther's is filling in its Texas, Louisiana, and Colorado markets. Luther's slow-cooks its beef brisket, pork spare ribs, link sausage, chicken, ham, and pork over hickory wood in enclosed pits. Diners indulge in their $6.50 dinners and $3 luncheon sandwiches surrounded by cedar walls and Western memorabilia.

Luther's formula has been profitable for 17 years. With average checks of $6.50, the typical 200-seat restaurant generates $1.5 million a year in sales; systemwide sales are $30 million. Last year, same-store sales rose 7%; systemwide sales were up 10%. Two new restaurants will open this year.

Since offering franchises two years ago, Springfield, Mo.-based Trotters has grown from three restaurants to seven with two more planned by summer. Fairly upscale in design with tiles, skylights, and sunken dining areas, Trotter's is as much an all-you-can-eat

Low price points and homey fare appeal to families.

concept as it is a fancy barbecue joint.

Trotter's specializes in Kansas City-style barbecue, according to director of operations and franchising Jon Garnier, meaning spare ribs, brisket, ham, and pork are slow-smoked in hickory pits. An $8.50 brisket dinner comes with unlimited access to a 90-item food and dessert bar. Hot breads, casseroles, vegetables, soups, and salads accompany all meals, and cheesecake and ice cream are typical after-dinner choices. The two original units in Springfield also offer 25 varieties of pies for dessert.

The food bars alone cost $5.20, and their popularity brings the average check down to $7.85. Regional economies have left same-store sales flat, Garnier says. Restaurants average $2.75 million in annual sales for a systemwide tag of $10 million. Older restaurants seat 165; new ones seat 275.

The granddaddy of barbecue chains, 20-year-old Tony Roma's, A Place for Ribs, has also experienced mixed sales results. "In 1991, it was a very mixed bag," says president and CEO Ken Reimer, referring to troubles in the New York, California, and Florida markets but strong sales elsewhere. Systemwide revenues fell 4.1% in fiscal 1991, for a total of $240 million.

Still, the Dallas-based, 147-unit chain has continued expansion, slowing to 10 new units in 1992 after opening 15 in 1991. Aiming to increase same-store sales, the table-service, casual restaurants recently rolled out new products. The chain's signature baby back ribs are now available in half-slab dinner portions, for example. "We've always given huge quantities including full slab dinners," Reimer explains, "but times are changing and we find that many women prefer a smaller portion for a lower price."

Two new salads, a chicken Caesar and the Southwestern Mesa Verde, have captured 15% of lunch sales. Standard dark-wood decors are being perked up with neon, more brick, and more artifacts. A full-slab rib dinner runs $10.95 at Tony Roma's, with checks averaging $12. Average unit sales are $1.9 million.

FLAT SALES. At number-two chain Bobby Rubino's U.S.A., with 92 restaurants, systemwide sales have remained flat for two years, but annual unit volumes have climbed to $2.3 million. Bobby Rubino's specializes in barbecued ribs served in a casual atmosphere decorated with light wood and Tiffany-style lamps.

Although barbecue still accounts for 70% of sales, with ribs alone accounting for 30% of sales, the Ft. Lauderdale, Fla.-based chain went after the lunch trade by introducing budget-minded daytime items last summer. Grilled chicken, shrimp, steak, mahimahi, and salmon are now on the lunch menu, along with new chicken breast sandwiches.

Lunch entrees cost about $3.95, for a check average of $6, putting the chain "back into that arena of places to go for lunch," explains director of advertising and marketing Janice Weinsoff. Lunch sales during the heavily marketed roll-out rose 48%, and have since settled in at 25% more than before. Dinner checks remained steady at $12.

In Chicago, five-unit Carson's The Place For Ribs has changed little. The family-owned chain is opening its first new restaurant in five years in a northern suburb, and made that move only because the lease for another will run out in 1995. Carson smokes its barbecue in a gas-powered rotisserie containing hickory wood. Chicagoans still visit the limited-menu, white-tablecloth establishments for barbecued ribs, which account for 80% of sales, but revenues haven't changed significantly over the past year.

Annual unit volumes range from $2.3 million to $5.5 million, with systemwide sales at $15 million a year. Checks average $17 per person, with a slab-of-ribs dinner running about $14.50.

Executives of most barbecue chains point to casual restaurants such as Chili's and Bennigan's as their prime

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The Dallas-based Black-Eyed Pea chain features home-style foods.

competition, since decors and prices are similar. Many such chains feature barbecue as a small portion of their menu.

Barbecued ribs and chicken are so popular at Carlos Murphy's, however, that executives feel they must leave them on the menu—even though the chain's once-extensive menu was pared down to mostly Mexican food about six years ago.

Customers have developed such a taste for the San Diego, Calif.-based chain's barbecue sauce, in fact, that they often request it as a french fry condiment and order it by the quart to take home. Carlos Murphy's makes its sauce with brown sugar, sautéed onions, chili sauce, steak sauce, and seasonings. It pressure-smokes the sauced meat over hickory for many hours.

Even with price tags from $7.95 to $13.95, according to food & beverage director Rick Narde, barbecued menu items increase Carlos Murphy's food costs. Most Mexican chains, he says, put no more than 25% of revenues toward food, but barbecue's 50% food cost brings Carlos Murphy's average to 29%. Barbecue accounts for 7.5% of sales.

Carlos Murphy's has restaurants on both coasts and in Illinois and Michigan. Each restaurant averages $2.2 million a year, and, with no new units, the chain posted its highest systemwide sales last year at $39.6 million.

While chains shake, rattle, and roll, independents—long the source of America's most-loved barbecue—hold their own in small towns and big cities throughout the country. In Oneonta, N.Y., the Brooks family has been serving barbecued chicken for 43 years.

NO CHICKEN FEED. Chickens at Brooks House of Bar-B-Q are basted with a mixture of vinegar, oil, salt, pepper, and eggs and roasted over charcoal in an open pit. Beef and ribs are cooked the same way, but brown sugar, ketchup, and butter comprise their sauce. Brooks serves 1,500 to 1,800 people a day on summer weekends in its Colonial dining room. Adding on meals it caters in 18 surrounding counties, Brooks serves 18,000 chicken halves a week during the summer. The recession hasn't slowed business down a bit. With a chicken dinner running $5.50 and checks averaging $6, tourists, local residents, and college students still line up for a low-ticket night out at Brooks.

Country Kitchen has broadened its menu with chicken and beef stir-fries.

In addition, catering business has remained strong because many catering clients mark up prices on Brooks' products and profit from selling them. Brooks began bottling its sauces a year ago and has sold 17,000 bottles.

Sales have risen every month at both relatively new Cleveland-area Pacers. Charbroiled spareribs, as well as beef, shrimp, and pork, each covered with a tomato-based sauce, account for 80% of sales at these upbeat establishments, which are preparing to hit their second and fourth birthdays. Sales at each restaurant are $1.5 million a year.

Both Pacers are contemporary, fun places with neon and mirrors perking up an otherwise woodsy, tavern-like decor. Families and young couples visit regularly for $8.50 barbecue dinners, racking up $11 checks. In addition to the Euclid and Lakewood, Ohio, restaurants, Pacers sells some of its barbecue items at a racetrack stand during the summer. Catering and bottles of sauce increase sales further.

Californians continue to buy barbecue at Benny's Bar-B-Q, where owner Milissa Jones cooks it up à la Marina del Rey. Benny's smokes its beef and pork ribs, chicken, turkey, ham, and homemade sausages in a brick oven over white oak wood. It will also smoke customers' turkeys, ducks, and geese when

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they bring in the poultry raw.

Jones serves her barbecue with brisket-flavored baked beans in a country-style dining room, where articles about the restaurant cover the walls, and retail spice and sauce bottles are displayed for sale. Local singles and businesspeople stop in for $8.50 dinners, building $10 checks. Jones, who is seeking investors for a second unit, won't reveal annual sales figures.

After sampling barbecue on a visit to Florida, Dr. Joseph Haller of Altoona, Pa., wished he could get some in his hometown—so he opened a place called Jethro's. That was 10 years ago, and sales have risen every year since, according to Ron Ireland, vice president of operations for parent Haller Management Development Co. Ireland declined to give details on sales.

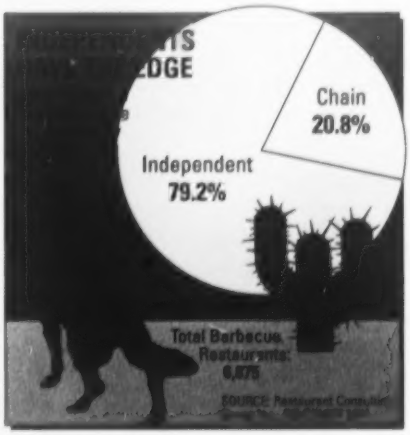
Jethro is a fictional prospector who came to the scenic mountain area of Horseshoe Curve on his "ornery mule No. 7," the restaurant's menu explains. Jethro's flavors baby back ribs, chicken, shrimp, and steaks with liquid smoke, and bakes and sauces them.

Accounting for 60% of sales, Jethro's barbecue is now available in State College, Pa., as well as at the original Altoona restaurant. Because this style of barbecue was new to the market, Haller found diners hesitant to try it; he therefore expanded his menu to include "something for everyone," says Ireland, including many Italian specialties. A full rack of ribs dinner is priced at $13.50, and checks average $9.35 exclusive of alcoholic beverages.

COUNTRY COOKING. Like barbecue restaurants, country cooking establishments are often independently owned local institutions. And, like the barbecue segment, chains have captured a sizable portion of the niche.

Ellena Parrino brought a touch of country to New York City with Miss Elle's Homesick Bar & Grill, described as "home cooking with an Italian accent." Although Miss Elle's features a long list of pasta dishes, it's pot roast, meatloaf, and pork chops that sell best—and that in the trendy Upper West Side neighborhood where few restaurants carry red meat at all. Side dishes include creamed spinach, candied yams, and mashed potatoes.

Families, seniors, and yuppies have slowly begun to find solace in Miss Elle's lace curtains, family portraits, and hearty servings since its August 1991 opening. Dinners run from $8.50 to $14.40, and checks average $17.50 per person. Miss Elle's has 84 seats divided into three dining rooms on two floors.



Black-Eyed Pea also features home-style cooking, which executives are quick to differentiate from the Southern-style country cooking that marks the company's five Dixie House restaurants. Black-Eyed Pea, the growth vehicle, specializes in fresh vegetables prepared to regional tastes, old-fashioned dinners like pot roast and chicken-fried steak, and homey desserts like cobblers. New items range from grilled tuna steak to a 14-oz. T-bone, and roast stuffed pork and a Volcano Fudge dessert are scheduled for rollout.

Black-Eyed Pea is in an expansion mode, with 25 restaurants this year scheduled to join the 96 company-owned and franchised units already blanketing the South, and another 30 on the board for 1993. Unit volumes, which have risen every year since the chain's inception, top $1.7 million, according to president Pitillo. Systemwide sales for 1991 were $150 million.

Black-Eyed Pea dining rooms feature natural woods, wallpaper, and old kitchen artifacts. Each unit has a mural depicting 100 years of trading in its area. Checks average just under $7.

After spending eight months under bankruptcy protection, beginning in 1989, Nashville, Tenn.-based PoFolks claims to be making a comeback.

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Twenty-year-old Tony Roma's is the granddaddy of barbecue chains.

According to vice president of operations Jay McCormack, the chain last year bought 20 units from franchisees, and now has a total of 57 company stores and 78 franchised ones. Seven new stores opened, as well, and another 15 are scheduled by year's end 1992.

Unit volumes averaged $1.25 million in 1991, with systemwide sales topping $160 million. Same-store sales were up 9% during the first few weeks of 1992.

PoFolks serves homestyle cooking in cheerful, mauve-and-blue dining rooms located in 14 primarily Southern states. Country-fried steak and Blue-Ribbon fried chicken sell best, and fast-food-style, eight-piece fried chicken buckets for $3.99 have added incremental sales. "Hearty homestyle dinners" such as meatloaf, pot roast, and grilled trout, priced at $4.99, will be rolled out shortly.

SLASHING COSTS. To keep profits high, PoFolks recently slashed 40% of corporate- and field-office employees from the payroll. It also cut food costs by marketing higher-profit menu items, cut labor costs by introducing a system for pay raises, and fostered loyalty by promoting 75% of new managers from within. New programs aimed at improving operations, food quality, service, and marketing are underway.

To increase traffic, PoFolks recently began running print advertisements regularly. Previously, only occasional radio and TV ads were used.

Lebanon, Tenn.-based Cracker Barrel Old Country Store is in the midst of a five-year, 20%-a-year growth mode, and the nation's recession hasn't daunted this 117-unit country-cooking chain a bit. Cracker Barrel is scheduled to have 127 restaurants by July, and same-stores sales have grown annually to $3 million, according to marketing manager Sonya Fields Harper.

Cracker Barrel restaurants, which are all owned and operated by the company, are located in 17 Southern and Midwestern states; Louisiana and Wisconsin are its newest markets.

Cracker Barrel is in a five-year growth mode.

Regional chain Luther's Bar-B-Q garners average checks of $6.50.

Menus feature Americana basics such as grits, biscuits, chicken and dumplings, catfish, and turnip greens. No menu item costs more than $9.99. Retail sales of sorghum molasses, hoop cheese, dolls, and wood crafts carry out the theme. Restaurants seat 150 to 180. Systemwide sales are reported to be $300 million a year.

Competitor Bob Evans Farms is also growing aggressively. Plans call for 20 new restaurants every year, all in its current Midwest and Southern markets. Bob Evans serves sausages, chicken and noodle dinners, meatloaf, barbecued ribs, and chicken-fried steak in restaurants decorated in "Steamboat Victorian" style, according to Roger Williams, group vice president of the 262-unit, Columbus, Ohio-based firm.

A recent redesign changed Bob Evans dining rooms from clamorous rooms with open-kitchens and red-and-white-checked tablecloths to closed-off areas decorated in shades of burgundy and natural wood. Checks average $5, same-store sales have risen to an average of $1.5 million a year, and systemwide sales are $400 million.

Minneapolis, Minn.-based Country Kitchen has been closing underperforming units and opening new ones, mostly in its Midwest stronghold. As a result, the chain still has 245 restaurants, but same-store sales have risen to $778,000, for a systemwide total of $190 million. All Country Kitchen restaurants are franchised. Country Kitchen has been "trying to bridge the gap between casual dining and coffee shops," says director of advertising and sales promotion Doug Anderson. Stir-fry dishes and chicken entrees have joined more traditional menu items. Stir-fry sales were so strong during a recent promotion that they captured from 8% to 14% of unit totals. Checks average $5.50.

In good times and bad, it seems, hearty American cooking just never goes out of style. People get tired of eating "designer" food at "two bites for $30," says Ellena Parrino of Miss Elle's. And as for barbecue: Well, "It's barbecue, man," says Mike Jolley of Luther's. "In Texas, you've just got to eat barbecue; it's in the genes." **RB**